

BANK INDONESIA REGULATION  
NUMBER: 6/33/PBI/2004  
CONCERNING  
SECOND AMENDMENT  
TO BANK INDONESIA REGULATION NUMBER 4/9/PBI/2002  
CONCERNING OPEN MARKET OPERATIONS

THE GOVERNOR OF BANK INDONESIA,

Considering:   a. whereas for further improvement in the effectiveness of open market operations, it is necessary for Bank Indonesia to enrich the instruments used in open market operations;

                  b. now therefore it is deemed necessary to enact a second amendment to Bank Indonesia Regulation Number 4/9/2002 concerning Open Market Operations;

In view of:    Act Number 23 of 1999 concerning Bank Indonesia (State Gazette of the Republic of Indonesia Number 66 of 1999, Supplement to the State Gazette of the Republic of Indonesia Number 3843) as amended by Act Number 3 of 2004 (State Gazette of the Republic of Indonesia Number 7 of 2004, Supplement to the State Gazette of the Republic of Indonesia Number 4357);

HAS DECREED: ...

HAS DECREED:

To enact: THE BANK INDONESIA REGULATION CONCERNING  
SECOND AMENDMENT TO BANK INDONESIA REGULATION  
NUMBER 4/9/PBI/2002 CONCERNING OPEN MARKET  
OPERATIONS.

Article I

A number of provisions in Bank Indonesia Regulation Number 4/9/2002 concerning Open Market Operations as amended by Bank Indonesia Regulation Number 6/4/PBI/2004 are hereby amended as follows:

1. The provisions of Article 4 are amended in their entirety to read as follows:

“Article 4

OMOs shall be conducted by means of

- a. issuance of SBIs;
- b. sale and purchase of Rupiah-denominated securities, encompassing SBIs, Government Securities, and other high quality, liquid securities;
- c. provision of the Bank Indonesia Placement Facility in Rupiahs (FASBI);
- d. sale and purchase of foreign currencies against the Rupiah;
- e. fine tune operations (FTO).”

2. Between Article 4 and Article 5, 1 (one) new article is inserted as Article 4A, which reads as follows:

“Article 4A ...

“Article 4A

- (1) Bank Indonesia shall conduct FTOs at any time as may be necessary to influence banking liquidity in the short-term. These activities shall consist of:
  - a. Fine Tune Contraction (FTK) transactions by means of funds placements by Banks at Bank Indonesia or conditional sale of securities held by Bank Indonesia.
  - b. Fine Tine Expansion (FTE) transactions by means of conditional purchase by Bank Indonesia of securities held by Banks.
- (2) FTO activities as referred to in paragraph (1) shall be subject to the following provisions:
  - a. Maximum tenor of transactions shall be 14 (fourteen) days commencing from the transaction settlement date and ending at maturity date.
  - b. Return on transactions can be calculated using the true discount formula or simple interest formula as follows:

1) True discount:

$$\text{cash value} = \frac{\text{FTO transaction quantity} \times 360}{360 + \{ (\text{FTO discount rate}) \times (\text{FTO tenor}) \}}$$
$$\text{discount value} = \text{FTO transaction quantity} - \text{cash value}$$

2) Simple ...

2) Simple interest:

$$\begin{array}{l} \text{quantity of} \\ \text{matured FTO} \\ \text{transaction} \end{array} \times \left[ 1 + \frac{(\text{FTO interest rate} \times \text{FTO tenor})}{360} \right]$$

c. Placement of transactions shall be final and may not be cancelled.

d. Not encashable prior to maturity.”

3. The provisions of Article 7 are amended in their entirety to read as follows:

“Article 7

Provision of FASBI as referred to in Article 4 letter c shall be subject to the following provisions:

- a. Bank Indonesia shall provide FASBI at any time as may be necessary.
- b. Maximum tenor shall be 14 (fourteen) days commencing from the date of transaction settlement and ending at the maturity date.
- c. Discount rate and/or volume shall be determined by Bank Indonesia.
- d. The discount value and cash value of the transaction shall be calculated according to the true discount formula as follows:

$$\begin{array}{l} \text{par value} \times 360 \\ \text{cash value} = \frac{\text{-----}}{360 + \{(\text{discount rate}) \times (\text{tenor})\}} \end{array}$$

$$\text{discount value} = \text{par value} - \text{cash value}$$

e. Placement of transactions shall be final and may not be cancelled.

f. Not ...

- f. Not negotiable, not for pledging as collateral, and not encashable prior to maturity.”

## Article II

This Bank Indonesia Regulation shall come into force on January 3, 2005.

Enacted in Jakarta

Dated: December 31, 2004

THE GOVERNOR OF BANK INDONESIA,

BURHANUDDIN ABDULLAH

ELUCIDATION TO  
BANK INDONESIA REGULATION  
NUMBER: 6/33/PBI/2004  
CONCERNING  
SECOND AMENDMENT  
TO BANK INDONESIA REGULATION NUMBER 4/9/PBI/2002  
CONCERNING OPEN MARKET OPERATIONS

ARTICLE BY ARTICLE

Article I

Number 1

Self-explanatory

Number 2

Self-explanatory

Number 3

Self-explanatory

Article II

Self-explanatory

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA  
NUMBER 4463

DPM